



**NORTHWEST HEALTHCARE PROPERTIES
REAL ESTATE INVESTMENT TRUST**

Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

For the Three Months Ended March 31, 2017
(Unaudited)

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Interim Balance Sheets
(in thousands of Canadian dollars)
Unaudited

As at	March 31, 2017	December 31, 2016
Assets		
Investment properties (note 6)	\$ 3,285,333	\$ 3,040,354
Investment in associates (note 7)	119,010	95,351
Intangible assets (note 8)	105,806	103,196
Goodwill	41,671	41,671
Financial instruments (note 14)	177	449
Accounts receivable (note 19)	8,510	7,636
Other assets (note 9)	23,602	19,625
Cash and restricted cash (note 10)	61,418	20,251
Total assets	\$ 3,645,527	\$ 3,328,533
Liabilities		
Mortgages and loans payable (note 11)	\$ 1,462,372	\$ 1,365,676
Deferred consideration (note 12)	13,447	13,119
Convertible debentures (note 13)	338,402	331,834
Deferred tax liability	154,847	140,150
Financial instruments (note 14)	18,886	15,077
Income tax payable	17,430	14,230
Accounts payable and other liabilities	49,455	45,313
Distributions payable	5,210	4,629
	2,060,049	1,930,028
Deferred unit plan liability (note 15)	16,457	14,935
Class B exchangeable units (note 16)	200,429	193,780
Total liabilities	\$ 2,276,935	\$ 2,138,743
Unitholders' Equity		
Unitholders' equity (note 17)	849,029	704,285
Non-controlling interest (note 21)	519,563	485,505
Subsequent events (note 26)		
Total liabilities and unitholders' equity	\$ 3,645,527	\$ 3,328,533

The condensed consolidated interim financial statements were approved by the Board on May 11, 2017 and signed on its behalf by:

“Colin Loudon” _____ Trustee
“Paul Dalla Lana” _____ Trustee

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(in thousands of Canadian dollars)
Unaudited

For the three months ended March 31,	2017	2016
Net Property Operating Income		
Revenue from investment properties	\$ 72,464	\$ 64,905
Property operating costs	19,570	20,198
	52,894	44,707
Other Income		
Interest	397	191
Management fees (note 8)	863	-
Share of profit of associate (note 7)	5,411	-
	6,671	191
Expenses		
Mortgage and loan interest expense	20,339	18,974
General and administrative expenses	5,491	5,326
Transaction costs	88	2,568
Foreign exchange income	(3,989)	(2,272)
	21,929	24,596
Income before other finance costs, fair value adjustments, and net loss on disposal of investment property	37,636	20,302
Finance Costs		
Amortization of financing costs	(899)	(1,017)
Amortization of mark-to-market adjustment	766	2,552
Class B exchangeable unit distributions (note 16)	(3,800)	(3,800)
Fair value adjustment of Class B exchangeable units (note 16)	(6,649)	(13,488)
Accretion of financial liabilities (notes 11)	(1,539)	(2,473)
Fair value adjustment of convertible debentures (note 13)	(6,568)	(2,321)
Fair value loss on financial instrument (note 14)	(878)	(3,720)
Fair value gain on investment properties (note 6)	72,490	10,435
Net loss on disposal of investment properties (note 5)	-	(1,417)
Fair value adjustment of deferred unit plan liability (note 15)	(423)	(813)
Income before taxes	90,136	4,240
Income tax expense	15,602	5,426
Net income (loss)	\$ 74,534	\$ (1,186)
Net income (loss) attributable to:		
Unitholders	\$ 49,799	\$ (8,049)
Non-controlling interest	24,735	6,863
	\$ 74,534	\$ (1,186)

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST**Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss) (cont.)
(in thousands of Canadian dollars)****Unaudited**

For the three months ended March 31,	2017	2016
Net income (loss)	\$ 74,534	\$ (1,186)
Other comprehensive income (loss):		
Items that will be reclassified subsequently to income:		
Foreign currency translation adjustment	\$ 46,813	\$ (145)
Realised foreign exchange gains/(losses) on hedges	(411)	8,669
Current taxation (expense)/credit	115	(2,427)
Unrealised foreign exchange gains/(losses) on hedges	(2,694)	(11,797)
Deferred taxation (expense)/credit	754	3,303
Fair value gain (loss) on net investment hedges	(4,600)	(3,494)
Deferred taxation (expense)/credit	1,288	977
Other comprehensive income (loss), net of tax	41,265	(4,914)
Total comprehensive income (loss) for the period	\$ 115,799	\$ (6,100)
Total comprehensive income (loss) attributable to:		
Unitholders	\$ 76,644	\$ (21,985)
Non-controlling interest	39,155	15,885
	\$ 115,799	\$ (6,100)

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NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

(in thousands of Canadian dollars)

(Unaudited)

	Unitholders' Equity	Contributed Surplus	Reduction on Reclassification to Liabilities	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Unitholders' Equity	Non- Controlling Interest	Total Equity
Balance, December 31, 2015	453,308	39,839	(115)	(60,136)	(3,366)	85,948	515,478	327,483	842,961
Units issued through distribution reinvestment plan	1,274	-	-	-	-	-	1,274	845	2,119
Units issued on exercise of deferred units (note 17)	2,953	-	-	-	-	-	2,953	-	2,953
Cancellation of REIT units under normal course issuer bid (note 17)	(286)	-	-	-	-	-	(286)	-	(286)
Distributions	-	-	-	(10,622)	-	-	(10,622)	(4,817)	(15,439)
Foreign currency translation differences	-	-	-	-	(12,771)	-	(12,771)	12,626	(145)
Other comprehensive income (loss)	-	-	-	-	(1,166)	-	(1,166)	(3,603)	(4,769)
Net income for the period	-	-	-	-	-	(8,049)	(8,049)	6,863	(1,186)
Balance, March 31, 2016	\$ 457,249	\$ 39,839	\$ (115)	\$ (70,758)	\$ (17,303)	\$ 77,899	\$ 486,811	\$ 339,397	\$ 826,208
Public offering of units (note 23)	143,795	-	-	-	-	-	143,795	107,835	251,630
Units issued through distribution reinvestment plan	3,548	-	-	-	-	-	3,548	3,218	6,766
Distributions	-	-	-	(40,099)	-	-	(40,099)	(18,052)	(58,151)
Foreign currency translation differences	-	-	-	-	42,204	-	42,204	(21,466)	20,738
Other comprehensive income	-	-	-	-	3,014	-	3,014	9,268	12,282
Net income for the period	-	-	-	-	-	65,012	65,012	65,305	130,317
Balance, December 31, 2016	\$ 604,592	\$ 39,839	\$ (115)	\$ (110,857)	\$ 27,915	\$ 142,911	\$ 704,285	\$ 485,505	\$ 1,189,790
Public offering of units (note 17)	82,127	-	-	-	-	-	82,127	-	82,127
Units issued through distribution reinvestment plan	1,374	-	-	-	-	-	1,374	1,376	2,750
Units issued on exercise of deferred units (note 17)	218	-	-	-	-	-	218	-	218
Distributions	-	-	-	(15,619)	-	-	(15,619)	(6,473)	(22,092)
Foreign currency translation differences	-	-	-	-	28,221	-	28,221	18,592	46,813
Other comprehensive income (loss)	-	-	-	-	(1,376)	-	(1,376)	(4,172)	(5,548)
Net income for the period	-	-	-	-	-	49,799	49,799	24,735	74,534
Balance, March 31, 2017	\$ 688,311	\$ 39,839	\$ (115)	\$ (126,476)	\$ 54,760	\$ 192,710	\$ 849,029	\$ 519,563	\$ 1,368,592

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

Unaudited

For the three months ended March 31,	2017	2016
Cash provided by (used in):		
Operating activities		
Net income before taxes	\$ 90,136	\$ 4,240
Adjustment for:		
Amortization	382	95
Mortgage and loan interest	20,339	18,974
Mortgage and loans interest paid	(19,012)	(18,966)
Finance costs		
Amortization of financing costs	899	1,017
Amortization of mark-to-market adjustment	(766)	(2,552)
Class B exchangeable unit distributions (note 16)	3,800	3,800
Fair value adjustment of Class B exchangeable units (note 16)	6,649	13,488
Accretion of financial liabilities (notes 11)	1,539	2,473
Fair value adjustment of convertible debentures (note 13)	6,568	2,321
Share of profit of associate (note 7)	(5,411)	-
Unrealized foreign exchange (gain)/loss	(3,979)	(2,287)
Amortization of deferred revenue	(307)	(277)
Fair value adjustment of investment properties (note 6)	(72,490)	(10,435)
Fair value (gain)/loss on financial instruments (note 14)	878	3,720
Net loss on disposal of investment properties (note 5)	-	1,417
Fair value adjustment of deferred unit plan liability	423	813
Unit based compensation expense	1,189	1,861
Redemption of units issued under deferred unit plan	(212)	(27)
Income taxes paid	(1,277)	(2,824)
Changes in non-cash working capital balances (note 18(i))	(4,395)	1,001
Cash provided by (used in) operating activities	24,953	17,852
Investing activities		
Acquisitions of investment properties (note 4)	(68,184)	(52,677)
Additions to investment properties (note 6)	(19,267)	(17,682)
Net proceeds on disposal of investment property (note 5)	-	39,883
Additions to investment in associate (note 7)	(13,376)	-
Distributions from associates (note 7)	2,091	-
Additions to furnitures and fixtures	(105)	(18)
Receipts (payments) from foreign exchange contracts	(376)	8,539
Net decrease (increase) to restricted cash	-	(18)
Cash provided by (used in) investing activities	(99,217)	(21,973)
Financing activities		
Mortgage and loan proceeds	5,684	49,234
Mortgage and loans discharged (note 11)	-	(60,618)
Repayment of mortgages	(5,122)	(4,862)
Repurchase of units under normal course issuer bid (note 17)	-	(286)
Net advances (repayments) of loans payable	55,851	36,720
Proceeds from issue of units, net of issue costs (note 17)	82,127	-
Financing fees paid	(1,112)	(1,224)
Distributions paid	(13,615)	(9,317)
Class B exchangeable units distributions paid (note 16)	(3,800)	(3,800)
Distributions paid to non-controlling interest	(5,097)	(4,637)
Cash provided by (used in) financing activities	114,916	12,110
Net change in cash	40,652	(2,911)
Effect of foreign currency translation	469	119
Net change in cash	41,121	(2,792)
Cash, beginning of period	19,955	14,835
Cash, end of period	\$ 61,076	\$ 12,043

Supplemental disclosure relating to non-cash financing and investing activities (note 18(ii))

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Notes to Condensed Consolidated Interim Financial Statements
(in thousands of Canadian dollars)
For the Three Months Ended March 31, 2017 and 2016
Unaudited

NorthWest Healthcare Properties Real Estate Investment Trust (the "REIT"), is a Canadian open-end trust created pursuant to an amended and restated Declaration of Trust dated May 15, 2015. The registered office of the REIT is 284 King Street East, Suite 100, Toronto, Ontario M5A 1K4.

1. Basis of Preparation

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting. Certain information and note disclosure normally included in the annual consolidated financial statements based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS") have been omitted. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the REIT's audited consolidated financial statements for the year ended December 31, 2016.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for investment properties, convertible debentures, derivative financial instruments, Class B exchangeable units and deferred units under the deferred unit plan ("DUP"), which are stated at fair value.

The condensed consolidated interim financial statements are presented in thousands of Canadian dollars, except per unit amounts which are presented in Canadian dollars. The Canadian dollar is the REIT's functional currency.

2. Significant Accounting Policies

All significant accounting policies have been applied on a basis consistent with those followed in the most recent audited annual consolidated financial statements of the REIT.

3. Acquisition of Generation Healthcare Management ("GHM")

On June 27, 2016, the REIT acquired 100% of GHM, the external asset manager for Generation Healthcare REIT ("GHC"). The acquisition of GHM is accounted for as a business combination in accordance with IFRS 3 - Business Combinations.

The purchase price equation based on the aggregate fair value of the assets acquired and liabilities assumed on the acquisition date, June 27, 2016 is as follows:

Generation Healthcare REIT management rights (note 8)	\$	55,969
Performance fee receivable (note 9)		8,343
Transition services (note 8)		504
Working capital		(85)
Deferred income tax liability		(2,503)
Net assets acquired	\$	62,228
Consideration comprised of:		
Cash	\$	56,387
Deferred consideration (note 12)		5,788
	\$	62,175
Net gain on business combination	\$	53

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Notes to Condensed Consolidated Interim Financial Statements
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For the Three Months Ended March 31, 2017 and 2016
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3. Acquisition of Generation Healthcare Management (continued)

The REIT has recognized deferred consideration for the total amounts payable to the seller at the later of the following: (i) collecting the performance fee receivable accrued at acquisition date, (ii) two years after the date of acquisition or (iii) upon occurrence of a 'trigger event' as defined in the acquisition agreement.

4. Property Acquisitions

(a) 2017 Property Acquisitions

Property	Location	Property type	Acquisition date	Total acquisition costs ⁽¹⁾	Property specific debt
Alstadt-Caree Fulda Medical Centre	Fulda, Germany	Medical Office Building	February 1, 2017	\$ 11,178	\$ 7,411
Medical Care Centre Hamburg-Bergedorf	Hamburg, Germany	Medical Office Building	February 1, 2017	20,214	11,810
Abbotsford Private Hospital ⁽²⁾	New South Wales, Australia	Hospital	February 27, 2017	21,781	-
Grafton Aged Care Facility ⁽²⁾⁽³⁾	New South Wales, Australia	Residential Aged Care Facilities	March 31, 2017	9,141	-
Epworth Eastern Hospital ⁽²⁾	Victoria, Australia	Hospital	March 31, 2017	19,500	-
Other ⁽⁴⁾	Various			5,605	-
				\$ 87,419	\$ 19,221

⁽¹⁾ Total acquisition costs includes transaction costs incurred with respect to acquiring the asset

⁽²⁾ Acquired by Vital Trust. The REIT accounts for its approximately 24.8% investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust.

⁽³⁾ Two residential properties adjacent to Grafton Aged Care facility were also acquired for potential future expansion.

⁽⁴⁾ Other acquisitions include lands and properties acquired for future developments

(b) 2016 Property Acquisitions

Property	Location	Property type	Acquisition date	Total acquisition costs ⁽¹⁾	Property specific debt
Sportsmed Private Hospital ⁽²⁾⁽³⁾	Adelaide, Australia	Land	January 20, 2016	\$ 5,430	\$ -
Hall & Prior Health and Aged Care Group Assets ⁽²⁾	Perth and Sydney, Australia	Residential Aged Care Facilities	March 1, 2016	43,765	-
Mehrower Allee	Berlin, Germany	Medical Office Buildings	April 14, 2016	23,205	16,203
Boulcott Private Hospital ⁽²⁾	Lower Hutt, New Zealand	Hospital	July 1, 2016	30,345	-
Hospital Ifor	Sao Paulo, Brazil	Hospital	July 21, 2016	26,323	-
Mons Road Medical Centre ⁽²⁾	Westmead, Australia	Medical Office Building	September 30, 2016	32,544	-
Hospital Santa Helena	Brasilia, Brazil	Hospital	October 24, 2016	124,557	-
Eker Medical Centre ⁽²⁾	Melbourne, Australia	Medical Office Building	November 21, 2016	27,581	-
Other ⁽²⁾	Various	Land	Various	14,661	-
				\$ 328,411	\$ 16,203

⁽¹⁾ Total acquisition costs includes transaction costs incurred with respect to acquiring the asset

⁽²⁾ Acquired by Vital Trust. The REIT accounts for its approximately 24.8% investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust.

⁽³⁾ Acquisition of two small parcels of land adjacent to Vital Trust's Sportsmed Private Hospital

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Notes to Condensed Consolidated Interim Financial Statements
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Unaudited

5. Property Disposal

During the year ended December 31, 2016, the REIT completed the sale of all assets it had previously classified as held for sale. The REIT sold 13 investment properties located in Canada for gross proceeds of \$71,875. As part of the transactions, \$51,593 of mortgage debt associated with the investment properties was repaid or assumed by the purchaser.

On September 16, 2016 the REIT completed the sale and leaseback of a mid-town Toronto parking garage located on 30 Merton Street. The sale generated gross proceeds of \$21,225. There were no mortgages associated to the property.

There have been no further disposals of investment properties as at March 31, 2017.

6. Investment Properties

As at	March 31, 2017	December 31, 2016
Balance, beginning of period	\$ 3,040,354	\$ 2,491,835
Acquisition of investment properties (note 4)	87,419	328,411
Disposition of investment properties (note 5)	-	(21,225)
Additions to investment properties	19,267	67,585
Increase in straight line rents	576	1,937
Amortization of deferred revenue	318	1,154
Fair value gain	72,490	143,368
Foreign currency translation	64,909	27,289
Balance, end of period	\$ 3,285,333	\$ 3,040,354

Investment properties are carried at fair value. The investment properties are re-measured to fair value at each reporting date, determined either on internal valuation models incorporating available market evidence, or on valuations performed by third-party appraisers.

The fair value of the investment properties at March 31, 2017 and December 31, 2016 were determined using both internal valuation models incorporating available market evidence and valuations performed by third-party appraisers. Estimates and assumptions used in determining the fair value of the investment properties include capitalization rates, discount rates, inflation rates, vacancy rates, and property level net operating income.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Notes to Condensed Consolidated Interim Financial Statements
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Unaudited

6. Investment Properties (continued)

The key valuation metrics for investment properties by region are set out in the following table:

	As at March 31, 2017			
	<u>Canada</u>	<u>Brazil</u>	<u>Germany</u>	<u>Australasia</u>
Discount rate - range	5.8% - 8.8%	8.5%	5.2% - 7.3%	7.1% - 9.5%
Discount rate - weighted average	7.3%	8.5%	6.2%	7.8%
Terminal capitalization rate - range	5.5% - 8.0%	8.0%	5.5% - 8.4%	6.4% - 8.9%
Terminal capitalization rate - weighted average	6.7%	8.0%	6.1%	6.9%
Implied capitalization rate - range	5.1% - 10.3%	8.2%	4.8% - 7.1%	6.1% - 8.5%
Implied capitalization - rate weighted average	6.6%	8.2%	5.8%	6.7%

	As at December 31, 2016			
	<u>Canada</u>	<u>Brazil</u>	<u>Germany</u>	<u>Australasia</u>
Discount rate - range	5.8% - 8.8%	8.5% - 10.0%	5.2% - 7.3%	7.2% - 9.5%
Discount rate - weighted average	7.1%	8.8%	6.2%	8.0%
Terminal capitalization rate - range	5.5% - 8.0%	8.0% - 10.0%	5.5% - 8.4%	6.5% - 8.9%
Terminal capitalization rate - weighted average	6.5%	8.3%	6.1%	7.0%
Implied capitalization rate - range	5.1% - 10.6%	8.2% - 10.7%	4.8% - 7.1%	6.3% - 8.5%
Implied capitalization - rate weighted average	6.4%	8.5%	5.8%	6.9%

As at and during the three months ended March 31, 2017, investment properties with an aggregate fair value of \$749,200 (as at December 31, 2016 - \$1,417,961, during the three months ended March 31, 2016 - \$294,950) were valued by external valuation professionals with recognized and relevant professional qualification.

7. Investment in Associate

As at	March 31, 2017		December 31, 2016	
Balance, beginning of period	\$	95,351	\$	-
Acquisition of Investment in GHC		13,392		92,145
Cash distributions received		-		(1,898)
Share of profit for the period		5,411		8,679
Eliminations		(193)		(370)
Foreign exchange		5,049		(3,205)
Balance, end of period	\$	119,010	\$	95,351

As at March 31, 2017, the investment in associate balance entirely consists of the REIT's investment in GHC.

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Unaudited

7. Investment in Associate (continued)

In May of 2016, the REIT purchased 835,295 GHC units in the open market for \$1,750 (A\$1,843), representing a 0.38% ownership interest in GHC. On the date that the REIT obtained significant influence these GHC units had a fair value of \$1,690 (A\$1,712) and were included in the cost of the investment in associate.

On July 26, 2016, the REIT acquired 15,492,061 GHC units for \$33,639 (A\$34,083) following the exercise of a put option by a counterparty to one of the REIT's GHC put/call option agreements. This acquisition increased the REIT's interest in GHC to approximately 7.5%. It was determined that the REIT had attained significant influence over GHC and the investment was accordingly accounted for using the equity method. The fair value of the option on the date of the exercise was \$(2,303) (A\$(2,334)) and has been included in the cost of the investment.

On August 8, 2016, the REIT exercised its call option with an affiliate of APN to acquire an additional 27,100,380 GHC units for \$60,205 (A\$59,621). This acquisition of GHC units increased the REIT's interest to approximately 19.8% and was added to the cost of the equity accounted investment. Additionally, the fair value of the option at exercise date of \$(2,873) (A\$(2,846)) has been included in the cost of the investment.

On December 23, 2016, GHC issued 47,342 GHC Units for \$90 (A\$92) to the REIT to settle portion of the Performance fee receivable. The units increased the REIT's investment in GHC and accordingly are included in the cost of the equity accounted investment.

On March 24, 2017, the REIT acquired an additional 6,700,000 GHC units for \$13,392 (A\$13,526) under the terms of a forward contract that was entered on December 30, 2016. The acquisition increased the REIT's interest in GHC to approximately 22.7% and was added to the cost of the investment. Also included in the cost of the investment is a gain realized from change in fair value of the forward contract.

As at March 31, 2017 included in the investment in GHC are transaction costs of \$1,697 (December 31, 2016 - \$1,697).

The closing price on the Australian Securities Exchange of GHC's units as at March 31, 2017 was \$2.08 (A\$2.05). As at March 31, 2017, the REIT had an exposure in total of 50,175,078 GHC units (December 31, 2016 – 43,475,078 GHC units).

A summary of GHC's aggregate assets and liabilities, and net income (loss) and comprehensive income (loss) for the period was as follows:

As at	March 31, 2017	December 31, 2016
Total assets	\$ 667,946	\$ 601,733
Total liabilities	243,531	236,876
Net assets	424,415	364,857
Less: Non-controlling interest	(52,668)	(37,867)
	371,747	326,990
Ownership Interest	22.7%	19.8%
REIT's share of net assets	84,499	64,816
Acquisition costs	34,685	30,668
Eliminations	(174)	(133)
Investment in associate	\$ 119,010	\$ 95,351

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
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(in thousands of Canadian dollars)
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7. Investment in Associate (continued)

For the three months ended March 31,	2017	2016
Revenue from investment properties	\$ 9,332	\$ -
Property operating costs	1,802	-
Net Property Operating Income	7,530	-
Interest Income	1,131	-
Expenses		
Mortgage and loan interest expense	1,985	-
General and administrative expenses	972	-
Other	(207)	-
Fair value adjustments	(29,710)	-
Net income	\$ 35,621	\$ -
Non-controlling interest	(9,809)	-
Net profit attributable to unitholders	25,812	-
Weighted average ownership	20.04%	n/a
REIT's share of profits	\$ 5,174	\$ -
Intercompany amounts	159	-
Changes to associate's equity	78	-
REIT's adjusted share of profits	\$ 5,411	\$ -

8. Intangible Asset

The REIT's intangible asset relates to the management contracts for Vital Healthcare Property Trust ("Vital Trust") and GHC. The REIT has the rights to 100% of the management fees paid by Vital Trust through its acquisition of Vital Healthcare Management Limited and related entities (the "Vital Manager"). The REIT assumed the management rights over GHC as a result of acquiring 100% of GHM (note 3). The management rights entitle the REIT to management and performance fees paid by GHC.

For the three months-ended March 31, 2017, management fee income of \$863 (three months ended March 31, 2016 – \$nil) was recorded related to the GHC management contact.

As at	March 31, 2017	December 31, 2016
Balance, beginning of period	\$ 103,196	\$ 46,757
GHC management rights (note 3)	-	55,969
GHM transition services (note 3)	-	504
Amortization of GHM transition services	(131)	(260)
Foreign currency translation	2,740	226
	\$ 105,806	\$ 103,196

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9. Other Assets

As at		March 31, 2017		December 31, 2016
Acquisition and financing costs	\$	6,357	\$	3,936
Prepaid expenses and deposits		6,685		5,996
Furniture and office equipment		1,595		1,556
Performance fee receivable (note 3)		8,039		7,178
Other		926		959
	\$	23,602	\$	19,625

Acquisition and financing costs relate to potential acquisitions and debt refinancing which are currently undergoing due diligence and/or negotiation.

10. Cash and Restricted Cash

As at		March 31, 2017		December 31, 2016
Cash	\$	61,076	\$	19,955
Restricted Cash		342		296
	\$	61,418	\$	20,251

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil long-term securitization financings (note 11).

11. Mortgages and Loans Payable

As at		March 31, 2017		December 31, 2016
Mortgage payable ¹ (i)	\$	786,085	\$	771,869
Australasian secured financing ² (ii)		125,419		118,000
Term loans and securitizations ³ (iv)		470,485		389,538
Acquisition facility ⁴ (iii)		7,524		17,456
Secured floating revolving line of credit ⁵ (v)		72,859		68,813
Total	\$	1,462,372	\$	1,365,676
Less: Current portion		238,786		189,136
Non-current debt	\$	1,223,586	\$	1,176,540

¹ Net of financing costs of \$2,834 (December 31, 2016 - \$2,998)

² Net of financing costs of \$732 (December 31, 2016 - \$719)

³ Net of financing costs of \$11,488 (December 31, 2016 - \$10,836)

⁴ Net of financing costs of \$476 (December 31, 2016 - \$544)

⁵ Net of financing costs of \$141 (December 31, 2016 - \$187)

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11. Mortgages and Loans Payable (continued)

(i) Mortgages payable

All mortgages are secured by first or second charges on specific investment properties in Canada and Germany, with a carrying value of \$1,298,516 at March 31, 2017, and are repayable as follows:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable
2017	\$ 15,035	\$ 89,689	\$ 104,724
2018	20,273	88,895	109,168
2019	17,832	63,007	80,839
2020	16,834	80,863	97,247
2021	10,825	168,217	179,042
2022	7,539	73,417	80,956
2023	4,346	57,931	62,777
2024	2,378	32,385	34,763
2025 and thereafter	2,749	26,624	29,373
Face value	\$ 97,361	\$ 681,028	\$ 778,389
Mark-to-market adjustment			10,530
Unamortized financing costs			(2,834)
Carrying amount			\$ 786,085

As at March 31, 2017, mortgages related to German investment properties had a balance of \$111,502 (December 31, 2016 - \$92,838). Mortgages related to investment properties located in Canada had balance of \$666,887 as at March 31, 2017 (December 31, 2016 - \$670,734).

During the three months period ended March 31, 2017, the REIT entered or assumed three mortgages for total of \$19,221 with respect to acquisition of two investment properties in Germany (see note 4).

During the year ended December 31, 2016, the REIT completed the refinancing of mortgages secured against six investment properties located in Canada. The refinancing replaced nine, first and second mortgages that were maturing in 2016 and 2017 with an outstanding balance of \$77,535 and weighted average interest rate of 5.46%. The new financings represent six first mortgages totaling \$84,700, bearing a weighted average interest rate of 3.09% and weighted average term of 5 years.

The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on of its \$124,795 variable rate mortgages payable as at March 31, 2017 (December 31, 2016 - \$125,631) (note 14). The interest rate swaps terminate between 2019 and 2023.

(ii) Australasian Secured Financing

On July 15, 2016, the REIT completed new financing, representing a margin facility secured by units of Vital Trust and units of GHC held by the REIT (the "Australasian Secured Financing"). The financing is a combined New Zealand Dollar and Australian Dollar facility and bears an interest rate equal to the one-month bank bill reference rate of Australia or New Zealand, where applicable, plus 325 to 500 basis points. The facility has a term of two years expiring July 15, 2018.

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11. Mortgages and Loans Payable (continued)

The Australasian Secured Financing allows a maximum loan-to-fair market value of the Vital Trust units and GHC units pledged of 45% and if such margin is exceeded the REIT is required to provide additional security or reduce the loan.

The net proceeds from the Australasian Secured Financing were partially used to repay the REIT's two Vital Trust margin facilities, which pledged 81,659,865 units of Vital Trust held by the REIT totaling \$47,383 (NZ\$51,447). The REIT closed out the related interest rate swap with a notional value of \$4,329 (NZ \$4,700) on July 15, 2016, for a nominal cost.

On February 3, 2017, the REIT voluntarily contributed \$35,017 (A\$35,000) as cash collateral against the Australian dollar portion of the Australasian Secured Financing. The cash collateral can be withdrawn by the REIT at any time. The cash collateral earns interest and reduces the applicable basis points on the one-month bank bill reference rate of Australia, resulting in a lower overall interest expense. On February 28, 2017, GHC paid the REIT a cash distribution of \$1,898 (A\$1,950), which was declared on December 15, 2016. The GHC distribution proceeds were also contributed as a collateral towards the Australasian Secured Financing.

On March 24, 2017, the REIT borrowed an additional \$5,684 (A\$5,581) on the Australasian Secured Financing to finance the acquisition of GHC units (see note 7). The additional financing has the same terms as amounts previously borrowed and is secured by the 6,700,000 GHC units that were acquired (note 7).

As at March 31, 2017, the principal balance outstanding on the Australasian Secured Financing with respect to the REIT's investment in Vital Trust and GHC was \$126,151 (NZ\$90,343 and A\$41,122) secured by 105,977,178 units of Vital Trust and 50,175,078 units of GHC held by the REIT (December 31, 2016 - \$118,719 (NZ\$90,343 and A\$35,541) secured by 105,977,178 units of Vital Trust and 43,475,078 units of GHC).

(iii) Acquisition Facility

As at March 31, 2017, the REIT had a balance outstanding on the acquisition facility of \$8,000 (December 31, 2016 - \$18,000). On December 16, 2016, the REIT renegotiated terms of its acquisition facility, increasing the facility from \$24,000 to \$32,000 and extended the maturity date to December 31, 2018

(iv) Term Loans and securitization financings

(a) Brazil term loans and long-term securitization financings

As at March 31, 2017, the REIT has no term loans in Brazil and as a result has a principal balance on Brazil terms loans of nil. The outstanding balance of the three securitization financings relating to the Hospital Caxias D'Or and HMB assets was \$161,048 (\$377,515) (December 31, 2016 - \$157,035 (R\$379,772)), with terms maturing between May 7, 2026 and December 6, 2026 and bearing a weighted average interest rate of 7.84% (December 31, 2016 - 7.84%)

In December 2016, the REIT repaid in full upon their maturity, two Brazilian term loans with an outstanding balance of \$69,689 (R\$172,328), including the IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy) portion relating to the term loans totaling \$4,911 (R\$12,865). The REIT also closed out the interest rate swaps with respect to the two Brazilian term loans that fixed the interest rate to 10.30%.

For the three months ended March 31, 2017, the REIT recorded IPCA related accretion expense of \$1,539 (for the three ended March 31, 2016 - \$1,575) with respect to the term loans and securitization financings

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11. Mortgages and Loans Payable (continued)

(b) Vital Trust term loans

Vital Trust has a syndicated revolving multi-currency facility with ANZ Bank New Zealand Limited, Australia and New Zealand Banking Group Limited and Bank of New Zealand. The approximately \$433,000 (A\$425,000) facility, a multi-currency facility, is split between Tranche A: approximately \$127,000 (A\$125,000) and Tranche B: approximately \$102,000 (A\$100,000) which are due to expire on March 31, 2019, and Tranche C: approximately \$102,000 (A\$100,000), Tranche D: approximately \$102,000 (A\$100,000) plus the New Zealand Dollar Facility: approximately \$19,000 (NZ\$20,000) which are due to expire on October 30, 2020.

As at March 31, 2017, Vital Trust had borrowings on the term loan facilities totalling \$320,926 (December 31, 2016 - \$243,340).

Borrowings are secured by a security trust deed dated April 1, 2003 and as amended and restated on November 29, 2016. Pursuant to the deed, a security interest has been granted of first ranking mortgages over the respective investment properties by a general security deed over the assets and undertakings of Vital Trust.

(v) Secured Floating Rate Revolving Credit Facility

On March 10, 2016, the REIT negotiated terms of its revolving credit facility, increasing the facility from \$75,000 to \$80,000 (both including a \$5,000 letter of credit facility) expiring November 2, 2017. The REIT also has an option to expand the facility to \$100,000 and an option to extend for a further one year period, each subject to terms and conditions satisfactory to the lenders. The revolving credit facility bears interest at rates ranging from the bank's prime rate plus 0.85% to 1.00% or Bankers' Acceptances plus 1.85% to 2.00%. The facilities are secured by certain Canadian investment properties, with a carrying value of \$123,250 and the terms of a general security agreement.

A summary of the maturity and effective interest rates relating to the mortgages and loans payable outstanding at March 31, 2017 are as follows:

	Maturity	Weighted Average Interest Rate	Carrying Value
Fixed rate			
Mortgage debt	April 2017 - January 2029	3.53%	\$ 741,944
Term loans and securitizations	March 2019 - December 2026	5.57%	470,485
Total fixed rate debt			\$ 1,212,429
Variable Rate			
Mortgage debt	June 2017 - August 2017	5.67%	\$ 44,141
Australasian secured financing	July 2018	5.09%	125,419
Acquisition facility	December 2018	8.20%	7,524
Secured floating revolving line of credit	November 2017	3.14%	72,859
Total variable rate debt			\$ 249,943
Total debt			\$ 1,462,372

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11. Mortgages and Loans Payable (continued)

As at March 31, 2017, the scheduled principal repayments and debt maturities are as follows:

	Mortgage Debt	Australasian Secured Financing	Term Loans and Securitizations	Acquisition Facility	Credit Facility	Total
2017	\$ 104,724	\$ -	\$ 9,044	\$ -	\$ 73,000	\$ 186,768
2018	109,167	126,151	12,887	8,000	-	256,205
2019	80,839	-	225,345	-	-	306,184
2020	97,246	-	124,471	-	-	221,717
2021	179,041	-	16,170	-	-	195,211
2022 & thereafter	207,372	-	94,056	-	-	301,428
	\$ 778,389	\$ 126,151	\$ 481,973	\$ 8,000	\$ 73,000	\$ 1,467,513
Financing costs	(2,834)	(732)	(11,488)	(476)	(141)	(15,671)
Mark-to-market adjustment	10,530	-	-	-	-	10,530
	\$ 786,085	\$ 125,419	\$ 470,485	\$ 7,524	\$ 72,859	\$ 1,462,372

12. Deferred Consideration

The following table summarizes the deferred consideration payable:

As at	March 31, 2017	December 31, 2016
Accrued transaction costs - Brazil (i)	7,301	7,287
Consideration for acquisition (note 3)	6,092	5,810
Holdback payable - Germany (ii)	54	22
	\$ 13,447	\$ 13,119

- (i) As at March 31, 2017, the REIT has recorded deferred consideration of \$7,301 (R\$17,115) (December 31, 2016 – \$7,287 (R\$17,623)) with respect to property transfer taxes payable in connection with the acquisition of investment properties in Brazil.
- (ii) In connection with the acquisition of the properties in Germany, the REIT held back \$54 (€38) of the purchase price for potential working capital adjustments and information deficiencies.

13. Convertible Debentures

The movements in fair value of convertible debentures were as follows:

As at	March 31, 2017	December 31, 2016
Balance, beginning of period	\$ 331,834	\$ 170,094
Issuance of convertible debenture	-	155,250
Change in fair value of convertible debentures	6,568	6,490
	\$ 338,402	\$ 331,834

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13. Convertible Debentures (continued)

On July 25, 2016, the REIT completed the public offering for aggregate gross proceeds of approximately \$141,243. The offer comprised of the issuance of \$74,750 aggregate principal amount of 5.25% convertible unsecured subordinated debentures (the "Series NWH.DB.E Debentures"), and 6,785,000 REIT units at a price of \$9.80 per unit (see note 17(iii)), including units and debentures issued pursuant to the exercise in full of the over-allotment options granted to the underwriters. The series NWH.DB.E Debentures are convertible at the holder's option into 78.4314 REIT units per one thousand dollars of face, at conversion price of \$12.75 per unit and mature on July 31, 2021.

On December 15, 2016, and on December 21, 2016 pursuant to the exercise of the over-allotment option, the REIT issued \$80,500 combined principal amount of unsecured convertible subordinated debentures (the "Series NWH.DB.F Debentures"). The Series NWH.DB.F Debentures bear interest at 5.25% per annum, payable semi-annually on June 30 and December 31 each year, and mature on December 31, 2021

The fair values of convertible debentures, determined on the basis of the closing market price as at the reporting date, are as follows:

As at	March 31, 2017	December 31, 2016
NWH.DB	\$ 41,055	\$ 40,954
NWH.DB.A	23,278	23,052
NWH.DB.B	18,072	17,850
NWH.DB.C	40,688	39,719
NWH.DB.D	55,650	54,060
NWH.DB.E	76,656	75,498
NWH.DB.F	83,003	80,701
Fair Value	\$ 338,402	\$ 331,834
Current	23,278	-
Non-Current	315,124	331,834
	\$ 338,402	\$ 331,834

Debentures Series	Conversion price per Unit (\$)	Maturity	Interest rate	Interest payment	Interest payment dates
NWH.DB	\$14.20	September 30, 2020	5.25%	Semi-annual	March 31 and September 30
NWH.DB.A	\$13.70	March 31, 2018	6.50%	Semi-annual	March 31 and September 30
NWH.DB.B	\$11.54	September 30, 2018	7.50%	Semi-annual	March 31 and September 30
NWH.DB.C	\$12.50	October 31, 2019	7.25%	Semi-annual	April 30 and October 31
NWH.DB.D	\$11.25	October 31, 2020	5.50%	Semi-annual	April 30 and October 31
NWH.DB.E	\$12.75	July 31, 2021	5.25%	Semi-annual	January 31 and July 31
NWH.DB.F	\$12.80	December 31, 2021	5.25%	Semi-annual	June 30 and December 31

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14. Financial Instruments

As at		March 31, 2017		December 31, 2016
Financial assets (a):				
Foreign exchange contracts	\$	5	\$	236
Interest rate swaps		172		213
Total financial assets	\$	177	\$	449
Financial liabilities (b):				
Interest rate swaps	\$	15,054	\$	14,413
Forward contracts		-		651
Foreign exchange contracts		3,832		13
Total financial liabilities	\$	18,886	\$	15,077

(a) Derivative financial instrument (asset)

The derivative financial instrument asset relates to foreign exchange contracts and interest rate swaps in place at Vital Trust. The forward exchange contracts are measured using a valuation model based on the applicable forward price curves derived from observable forward prices.

(b) Derivative financial instrument (liability)

The derivative financial instrument liability relates to interest rate swaps with a value of \$15,054 (December 31, 2016 - \$14,413) and forward exchange contracts of \$3,832 (December 31, 2016 - \$13).

The REIT has entered into interest rate swap contracts with respect to certain Canadian and German mortgages (note 11(i)) and the Vital Trust term loans (note 11(iv)). The interest rate derivatives mature over the next 1 to 10 years and have fixed interest rates ranging from 1.71% to 4.99%.

On December 30, 2016, the REIT entered into a forward contract to purchase an additional 6,700,000 GHC units. On March 24, 2017, the REIT completed the purchase of these units in accordance with the terms of the forward contract. Fair value of the forward contract as at the exercise date has been included in the cost of the investment in GHC (see note 7).

The components of the gain/(loss) on derivative financial instruments are as follows:

For the three months ended March 31,		2017		2016
Fair value adjustment - interest rate swaps	\$	(675)	\$	(3,655)
Receipts/(payments) under transaction hedging foreign exchange contracts		18		(65)
Fair value adjustment -foreign exchange contracts		(1,388)		-
Fair value adjustment -forward contracts		666		-
Performance fee receivable (note 9)		501		-
	\$	(878)	\$	(3,720)

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15. Deferred Unit Plan ("DUP") Liability

The REIT's DUP became effective in March 2010 and was re-approved at the annual general meeting of Unitholders in 2013. The DUP is administered by the Compensation, Governance and Nominating Committee. The purpose of the DUP is to promote a greater alignment of interests between the Trustees, officers and certain other participants of the REIT and the Unitholders. Under the plan, the maximum number of units authorized for issuance shall not exceed 5% of the units issued and outstanding at any given time. The deferred units can be settled at the holders' option in units or cash subject to the REIT's approval and are treated as a liability until redeemed.

Upon acquisition of Vital Manager, the REIT also assumed the deferred unit plan liabilities of Vital Manager related to deferred units of Vital Trust.

(a) Liability:

As at	March 31, 2017	December 31, 2016
Balance, beginning of period	\$ 14,935	\$ 15,597
Unit based compensation expense	1,533	2,123
Exercised and paid in cash	(212)	(1,550)
Exercised and settled in Trust Units	(218)	(2,953)
Fair value adjustment	422	1,717
FX adjustment	(3)	1
Balance, end of period	\$ 16,457	\$ 14,935

The balance of the DUP liability at March 31, 2017 consists of \$14,231 related to the REIT's DUP and \$2,226 related to Vital Trust's DUP (December 31, 2016 - \$13,445 related to the REIT's DUP and \$1,490 related to Vital Trust's DUP).

Unit-based compensation expense is measured at the service commencement date, based on the fair market value of a REIT unit or Vital Trust unit, as applicable, and amortized over the vesting year. Unit-based compensation does not qualify as an equity award and is classified as a liability. The awards are measured at fair-value every reporting period, based on the fair market value of a REIT unit or Vital Trust unit, as applicable, and the change in fair value is recognized as compensation expense.

(b) Units outstanding:

As at, March 31, 2017	REIT	Vital Trust
Balance, beginning of the period	1,814,558	1,670,650
Granted	10,486	710,576
Exercised and paid in cash	(21,227)	-
Exercised and paid in REIT units	(21,868)	-
Distribution entitlement	36,296	-
Balance, end of period	1,818,246	2,381,226
Units vested but not exercised	607,155	195,065

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15. Deferred Unit Plan ("DUP") Liability (continued)

As at, December 31, 2016	REIT	Vital Trust
Balance, beginning of the period	2,586,609	1,002,580
Granted	177,643	664,218
Exercised and paid in cash	(160,565)	69,581
Exercised and paid in REIT units	(348,491)	(65,729)
Forfeited	(637,825)	-
Distribution entitlement	197,187	-
Balance, end of period	1,814,558	1,670,650
Units vested but not exercised	563,467	75,626

For the three months ended March 31, 2017, the REIT granted or issued 10,486 DUP units with a value of \$112 (for the three ended March 31, 2016 - 11,642 DUP units with a fair value of \$112).

For the three months ended March 31, 2017, Vital Trust granted or issued 710,576 DUP units with a value of \$1,341 (for the three months ended March 31, 2016 - 664,218 DUP units with a fair value of \$1,224)).

16. Class B Exchangeable Units

The Class B exchangeable units are economically equivalent to REIT units and are entitled to receive distributions equal to those provided to holders of REIT units. The fair value of the Class B exchangeable unit liability is determined with reference to the market price of the REIT's units at the reporting date.

As at March 31, 2017, there were 18,998,065 Class B (December 31, 2016 - 18,998,065) exchangeable units of Northwest Healthcare Properties LP ("NWI LP") issued and outstanding with a fair value of \$200,429 (December 31, 2016 - \$193,780).

Distributions declared on the Class B exchangeable units of NWI LP totaled \$3,800 for the three months ended March 31, 2017 (for the three months ended March 31, 2016 - \$3,800) and have been accounted for as finance costs.

The following table shows the continuity of the Class B exchangeable units:

	Units	Amount
Balance, December 31, 2015	18,998,065	\$ 169,653
Fair value adjustment	-	24,127
Balance, December 31, 2016	18,998,065	\$ 193,780
Fair value adjustment	-	6,649
Balance, March 31, 2017	18,998,065	\$ 200,429

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17. Unitholders' Equity

The REIT is authorized to issue two categories of equity: (a) REIT units of the REIT; and (b) special voting units attached to the exchangeable Class B exchangeable units of NWI LP, a subsidiary of the REIT.

The REIT is authorized to issue an unlimited number of REIT units without par value. Each unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The unitholders have the right to require the REIT to redeem their units on demand. Upon receipt of the redemption notice by the REIT, all rights to and under the units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit ("Redemption Price"), as determined by a market formula.

The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

The special voting units are only issued in tandem with Class B exchangeable units and are not transferable separately from the Class B exchangeable units to which they are attached. As Class B exchangeable units are exchanged or surrendered for REIT units, the corresponding special voting units will be cancelled for no consideration. Special voting units have no economic entitlement in the REIT, but entitle the holder to one vote per special voting unit at any meeting of the unitholders.

The REIT's Trustees have discretion in declaring distributions.

The following table shows the changes in REIT Units:

	REIT units		Amount
Balance - December 31, 2015	52,691,943	\$	453,308
Units issued through distribution reinvestment plan (i)	516,574		4,821
Units issued under deferred unit plan (note 15)	348,491		2,953
Units cancelled pursuant to NCIB (ii)	(34,500)		(285)
Units issued pursuant to equity offering (iii)	15,914,660		150,792
Units issuance cost (iii)	-		(6,997)
Balance - December 31, 2016	69,437,168	\$	604,592
Units issued through distribution reinvestment plan (i)	142,291		1,374
Units issued under deferred unit plan (note 21)	21,868		218
Units issued pursuant to equity offering (iii)	8,544,500		86,299
Units issuance cost (iii)	-		(4,172)
Balance - March 31, 2017	78,145,827	\$	688,311

- (i) The REIT has established a distribution reinvestment plan ("DRIP") for its unitholders, which allows participants to reinvest their monthly cash distributions in additional units at an effective discount of 3%.
- (ii) On June 29, 2015 the REIT announced that it intended to make a normal course issuer bid ("NCIB") for a portion of its Trust Units as appropriate opportunities arose from time to time. On July 13, 2015 the REIT announced that the TSX had approved the REIT's NCIB.

The REIT began to purchase Units on July 16, 2015 and the bid was set to expire on October 16, 2015, but then was further extended to February 15, 2016. During the year ended December 31, 2016, the REIT had repurchased of 34,500 units at a weighted average price per unit of \$8.19, respectively, including broker commissions.

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17. Unitholders' Equity (continued)

(iii) On January 31, 2017, the REIT completed the public offering of 8,544,500 REIT units, including the exercise in full of an over-allotment option, at price of \$10.10 per unit representing total gross proceeds of \$86,299. Issue costs of \$4,172 were recognized in relation to this equity issuance.

On July 25, 2016, the REIT completed the public offering for aggregate gross proceeds of approximately \$66,493. The offer comprised of the issuance of 6,785,000 REIT units at a price of \$9.80 per unit. Concurrently, NWVP, purchased, on a private placement basis, an aggregate of 510,204 units for gross proceeds of approximately \$5,000 at the offering price. Issue cost of \$3,136 were recognized in relation to this equity issuance.

On April 20, 2016 and April 25, 2016, the REIT completed a public offering of 7,532,500 REIT units, including the exercise in full of an over-allotment option, at a price of \$9.20 per unit, representing gross proceeds of \$69,299. Concurrently, NWVP, purchased, on a private placement basis, an aggregate of 1,086,956 REIT units for gross proceeds of approximately \$10,000 at the offering price. Issue costs of \$3,861 were recognized in relation to this equity issuance.

18. Supplemental Cash Flow Information

(i) Changes in Non-Cash Working Capital Balances

For the three months ended March 31,	2017	2016
Accounts receivable	\$ (3,280)	\$ (1,117)
Other assets	(3,350)	194
Accounts payable and accrued liabilities	2,235	1,924
	\$ (4,395)	\$ 1,001

(ii) Non-Cash Financing and Investing Activities

For the three months ended March 31,	2017	2016
Non cash distributions to Unitholders under the DRIP (note 17)	\$ 1,374	\$ 1,274
Units issued under deferred unit plan (note 15)	218	2,953

19. Related Party Transactions

(a) As at March 31, 2017, NWVP indirectly owned approximately 26.9% of the outstanding REIT units (approximately 21.1% on a fully diluted basis assuming conversion of the REIT's convertible debentures and redemption of its deferred units) of the REIT through a combination of units of the REIT and Class B exchangeable units of NWI LP. Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer of the REIT, is the sole shareholder, sole director and President of NWVP.

(b) In the normal course of operations, through shared services arrangements with affiliates of NWVP, the REIT has amounts owing to and from NWVP and affiliates. As at March 31, 2017, these non-interest bearing amounts combined included in accounts payable and other liabilities are a net liability of \$347 (December 31, 2016 - net asset of \$315 included under accounts receivable)

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19. Related Party Transactions

- (c) At March 31, 2017, included in accounts payable and accrued liabilities are Class B exchangeable unit distributions payable owing to NWVP and affiliates in the amount of \$1,267 (December 31, 2016 - \$1,267), which were settled subsequent to period end.
- (d) The following table summarizes the related party transactions with NWVP and its subsidiaries related to cost-sharing and sublease agreements with the REIT:

Three months ended March 31,	2017	2016
Reimbursement of out-of-pocket costs - completed transactions	\$ 673	\$ 158
Cost-sharing and sublease agreements	103	194
	\$ 776	\$ 352

- (e) Transactions with related parties disclosed above are recorded at the transaction amount, being the price agreed between the parties.

20. Segmented Information

The REIT operates in one industry segment being the real estate industry segment; however the REIT monitors and operates its German, Brazilian, Canadian, Australasian and Corporate operations separately. The CEO assesses the performance of each of the operating segments based on a measure of operating income. The accounting policies for each of the segments are the same as those for the REIT. The REIT's trust and general and administrative expenses are managed centrally in Canada and are not allocable to operating segments, however certain operating segments incur general and administrative expenses specific to their segment

During the three months ended March 31, 2017, two tenants in the Brazil and one tenant in Australasia operating segment accounted for 19% and 12% respectively (for the three months ended March 31, 2016 - 12% and 12%, respectively) of the total revenue from investment properties.

As at March 31, 2017	Germany	Brazil	Australasia	Canada	Total
Investment properties	\$ 221,313	\$ 696,943	\$ 1,137,999	\$ 1,229,078	\$ 3,285,333
Mortgages and loans payable	\$ 109,982	\$ 150,391	\$ 320,094	\$ 881,905	\$ 1,462,372

As at December 31, 2016	Germany	Brazil	Australasia	Canada	Total
Investment properties	\$ 189,432	\$ 642,901	\$ 997,739	\$ 1,210,282	\$ 3,040,354
Mortgages and loans payable	\$ 91,236	\$ 147,088	\$ 242,451	\$ 884,901	\$ 1,365,676

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20. Segmented Information (continued)

For three months ended					
March 31, 2017	Germany	Brazil	Australasia	Canada	Total
Revenue from investment properties	\$ 4,235	\$ 13,516	\$ 20,106	\$ 34,607	\$ 72,464
Property operating costs	1,146	-	2,692	15,732	19,570
Net property operating income	3,089	13,516	17,414	18,875	52,894
Other income					
Interest	-	274	13	110	397
Management fee	-	-	863	-	863
Share of profit of associate	-	-	5,411	-	5,411
	-	274	6,287	110	6,671
Mortgage and loan interest expense	508	2,974	3,253	13,604	20,339
General and administrative expenses	536	456	2,470	2,029	5,491
Transaction Costs	68	-	-	20	88
Foreign exchange (gain) loss	5	(6)	(5,233)	1,245	(3,989)
	1,117	3,424	490	16,898	21,929
Operating income	\$ 1,972	\$ 10,366	\$ 23,211	\$ 2,087	\$ 37,636

For three months ended					
March 31, 2016	Germany	Brazil	Australasia	Canada	Total
Revenue from investment properties	\$ 3,576	\$ 7,658	\$ 17,679	\$ 35,992	\$ 64,905
Property operating costs	928	-	2,392	16,878	20,198
Net property operating income	2,648	7,658	15,287	19,114	44,707
Other income					
Interest	-	169	19	3	191
Management fee	-	-	-	-	-
Share of (profit) loss of associate	-	-	-	-	-
	-	169	19	3	191
Mortgage and loan interest expense	443	1,345	3,639	13,547	18,974
General and administrative expenses	760	361	1,219	2,986	5,326
Transaction Costs	-	-	-	2,568	2,568
Foreign exchange (gain) loss	(2)	56	314	(2,640)	(2,272)
	1,201	1,762	5,172	16,461	24,596
Operating income (loss)	\$ 1,447	\$ 6,065	\$ 10,134	\$ 2,656	\$ 20,302

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21. Non-wholly Owned Subsidiary

On January 1, 2015, the REIT acquired all of the rights and obligations relating to the management of Vital Trust. As a result of the acquisition of the management rights and other factors, it was determined that the REIT obtained control (as defined in IFRS 10 - Consolidated Financial Statements) with respect to its approximately 24.8% investment in Vital Trust.

The following tables' present summarized accounts for Vital Trust based on the portion attributable to the non-controlling interest and the REIT

As at	March 31, 2017	December 31, 2016
Total assets	\$ 1,147,817	\$ 1,005,348
Total liabilities	431,421	340,774
Net assets	\$ 716,396	\$ 664,574
Attributable to:		
Non-controlling interest	519,563	485,505
Unitholders of the REIT	196,833	179,069
	\$ 716,396	\$ 664,574

For the three months ended March 31,	2017	2016
Revenue from investment properties	\$ 20,106	\$ 17,679
Net income attributable to:		
Non-controlling interest	\$ 24,735	\$ 6,863
Unitholders of the REIT	7,692	2,190
Net income	32,427	9,053

Total comprehensive income attributable to:		
Non-controlling interest	\$ 39,155	\$ 15,885
Unitholders of the REIT	12,479	4,758
Total comprehensive income	\$ 51,634	\$ 20,643

Distributions attributable to non-controlling interest	\$ 6,473	\$ 4,817
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21. Non-wholly Owned Subsidiary

For the three months ended March 31,	2017	2016
Cash flow activities:		
Operating	\$ 3,334	\$ 7,366
Investing	(66,434)	(46,430)
Financing	59,714	38,984
Effect of foreign currency translation	(708)	385
Net change in cash	\$ (4,094)	\$ 305

The REIT is subject to restrictions over the extent to which it can access funds of Vital Trust in the form of cash distributions, or use assets and liabilities as a result of borrowing arrangements, regulatory restrictions and the REIT's economic interest in Vital Trust being limited to approximately 24.8%.

22. Commitments and Contingent Liabilities

- (a) The REIT has entered into fixed-price utility contracts with a third-party supplier in the amount of \$1,927 to provide electricity and gas for its own use at its investment properties until 2018.
- (b) The REIT obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at March 31, 2017, the REIT has a total of \$1,050 in outstanding letters of credit related to construction work that is being performed on investment properties. The REIT does not believe that any of these standby letters of credit are likely to be drawn upon.
- (c) Pursuant to the sale of four of the REIT's investment properties, the existing mortgages were assumed by the purchasers. In the event of default, the REIT has guaranteed the outstanding balance of the mortgages of \$13,694 as at March 31, 2017.
- (d) The REIT has entered into construction agreements on development properties and is committed to construction costs of \$43,302 as at March 31, 2017.
- (e) The REIT indemnifies individuals who have acted at the REIT's request to be a trustee and/or director and/or officer of the REIT (and/or one or more of its direct and indirect subsidiaries), to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory and other legal limitation periods. The nature of the indemnification agreements prevents the REIT from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements.
- (f) The REIT is subject to legal and other claims in the normal course of business. Management and the REIT's legal counsel evaluate all claims. In the opinion of management these claims are generally covered by the REIT's insurance policies and any liability from such claims would not have a significant effect on the REIT's consolidated financial statements.

23. Fair Values

Estimated fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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23. Fair Values (continued)

The REIT uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value of financial instruments and investment properties. The classifications are as follows: the use of quoted market prices for identical assets or liabilities (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3).

The REIT determined the fair value of each investment property using the discounted cash flow method or the overall capitalization rate method. The discounted cash flow method discounts the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows. Under the overall capitalization rate method, the net operating income is capitalized at the requisite capitalization rate. Note 6 outlines the key assumptions used by the REIT in determining fair value of its investment properties.

Derivatives instruments are valued using a valuation technique with market observable inputs (Level 2) and include the options, interest rate swaps, and the warrant liability. The most frequently applied valuation technique includes forward pricing models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves.

As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The REIT has chosen to use closing market price (Level 1) as a practical expedient for fair value measurement for its Class B exchangeable units, DUP liability and convertible debentures.

The fair value of the REIT's mortgages and loans payable and deferred consideration are determined using present value calculations based on market-observable interest rates for mortgages and loans with similar terms and conditions (Level 2). The carrying values of the REIT's financial assets, which include accounts receivable, other assets, and cash and restricted cash, as well as financial liabilities, which includes accounts payable and accrued liabilities, distributions payable approximate their recorded fair values due to their short-term nature.

The fair value hierarchy of assets and liabilities measured at fair value on the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements as at March 31, 2017 is as follows:

	Carrying value	Fair Value		
		Level 1	Level 2	Level 3
Assets measured at fair value:				
Investment properties	\$ 3,285,333	\$ -	\$ -	\$ 3,285,333
Financial instruments	177	-	177	-
Performance fee receivable	8,039	-	8,039	-
Liabilities measured at fair value:				
Financial instruments	18,886	-	18,886	-
Convertible debentures	338,402	338,402	-	-
Class B LP exchangeable units	200,429	200,429	-	-
Deferred unit plan liability	16,457	16,457	-	-
Financial Liabilities recorded at amortized cost:				
Mortgage and loans payable	1,462,372	-	1,484,049	-

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23. Fair Values (continued)

The fair value hierarchy of assets and liabilities measured at fair value on the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements as at December 31, 2016 is as follows:

	Carrying value	Fair Value		
		Level 1	Level 2	Level 3
Assets measured at fair value:				
Investment properties	\$ 3,040,354	\$ -	\$ -	\$ 3,040,354
Derivative financial instruments	449	-	449	-
Performance fee receivable	7,178	-	7,178	-
Assets held for sale	-	-	-	-
Liabilities measured at fair value:				
Derivative financial instruments	15,077	-	15,077	-
Convertible debentures	331,834	331,834	-	-
Class B LP exchangeable units	193,780	193,780	-	-
Deferred unit plan liability	14,935	14,935	-	-
Financial Liabilities recorded at amortized cost:				
Mortgage and loans payable	1,365,676	-	1,385,023	-

24. Capital Management

The REIT considers its capital to be its unitholders' equity, Class B exchangeable units, and debt. The REIT is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, the REIT will make adjustments to its capital based on its investment strategies and changes to economic conditions.

The REIT's strategy is also driven by policies as set out in the Declaration of Trust. The requirements of the REIT's operating policies as outlined in the Declaration of Trust include the requirement that the REIT will not incur or assume indebtedness which would cause the total indebtedness of the REIT to exceed 65% of Gross Book Value as defined. Indebtedness as defined in the Declaration of Trust excludes deferred revenue, and unsecured debt which includes convertible debentures.

At March 31, 2017, the REIT is in compliance with its debt to gross book value ratio of the Declaration of Trust at 40.6% (December 31, 2016 - 41.5%) and 49.9% (December 31, 2016 - 51.5%). The debt to gross book value including convertible debentures Calculations are as follows:

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24. Capital Management

As at	March 31, 2017	December 31, 2016
Debt		
Gross Value of Secured Debt ⁽¹⁾	\$ 1,480,961	\$ 1,382,784
Gross Value of total debt ⁽²⁾	\$ 1,819,363	\$ 1,714,618
Gross Book Value of Assets		
Total Assets	\$ 3,645,527	\$ 3,328,533
Debt-to- Gross Book Value (Declaration of Trust)	40.6%	41.5%
Debt-to- Gross Book Value (including convertible debentures)	49.9%	51.5%

⁽¹⁾ represents the principal balance of mortgages, credit facility, Australasian Secured Financings, term loans, securtizations and deferred consideration

⁽²⁾ represents the principal balance of mortgages, credit facility, Australasian Secured Financings, term loans, securtizations, convertible debentures (at fair value) and deferred consideration

The REIT's capital management is also impacted by various financial covenants in certain loan agreements. As at March 31, 2017, the REIT is in compliance with all such financial covenants.

25. Risk Management

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are consistent with those disclosed in the consolidated financial statements as at and for the year ended to December 31, 2016.

26. Subsequent Events

- (i) On April 5, 2017, Vital Trust settled the previously announced acquisition of Ormiston Hospital located in Auckland, New Zealand for approximately \$30,819 (NZ\$33,004). Ormiston Hospital is a private surgical hospital with over 70 leading medical specialists and surgeons utilizing the facility. The weighted average lease expiry at Ormiston Hospital is 5.6 years.
- (ii) On April 6, 2017, the REIT completed a public offering of 9,179,300 REIT units, including 1,197,300 units issued pursuant the exercise in full of an over-allotment option, at a price of \$10.65 per unit, representing gross proceeds of \$97,760.
- (iii) On April 11, 2017, the REIT repaid a second mortgage on a Canadian investment property with an outstanding balance of \$20,000 and interest rate of 5.75%.
- (iv) On April 14, 2017, the REIT declared a distribution of \$0.06667 per REIT unit to unitholders of record on April 28, 2017, payable May 15, 2017. On May 11, 2017, the REIT declared a distribution of \$0.06667 per REIT unit to unitholders of record on May 31, 2017, payable June 15, 2016.

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26. Subsequent Events (continued)

- (v) On April 12, 2017 the REIT negotiated terms of its revolving credit facility, increasing the facility from \$80,000 to \$100,000 and extending expiry date from November 2, 2017 to November 2, 2019. The increase in the facility is secured as by second charge on a Canadian investment properties with carrying value of \$199,003 at March 31, 2017.
- (vi) On April 23, 2017, the REIT amended and restated the terms of the Australasian Secured Financing to, among other things, increase loan availability thereunder by up to \$18,292 (A\$18,000), subject to certain on-going loan-to-fair value tests. The amended and restated Australasian Secured Financing matures July 15, 2018 and bears an interest rate equal to the one-month bank bill reference rate of Australia or New Zealand, where applicable, plus 275 to 600 basis points depending on loan-to-fair market value of the Vital Trust units and GHC units pledged.
- (vii) On April 23, 2017, the REIT entered into an Australasian Secured Bridge Facility with loan availability of up to \$174,786 (A\$172,000), subject to certain conditions relating to the GHC Bid (see note 26(vii)) and certain on-going loan-to-fair value tests. Proceeds from the Australasian Secured Bridge Facility will be applied to acquire GHC units pursuant to the GHC Bid and for partial repayment of approximately \$41,788 (A\$41,122) of the Australasian Secured Financing. The Australasian Secured Bridge Facility may be progressively drawn for a period of six months, which may be extended subject to certain conditions, and has a term of two years subject to certain conditions which if not satisfied could result in certain mandatory partial repayments prior to maturity of the two year loan term. The facility bears interest equal to the one-month bank bill reference rate of Australia plus 450 basis points for the first 12 months and 700 basis points for the following 12 months, payable semi-annually.
- (viii) On April 24, 2017, the REIT announced an all-cash, unconditional, off-market takeover offer for all outstanding units of GHC that it does not already own (the "GHC Bid"). The offer of A\$2.24 per GHC unit, represents consideration of \$388,213 (A\$382,100) for the GHC units not currently owned by the REIT, which the REIT plans to finance using existing resources, the amended and restated Australasian Secured Financing, the new Australasian Secured Bridge Facility, and other financing sources under consideration. On May 4, 2017, the REIT announced it had increased the offer price to a best and final of A\$2.30 per GHC unit, subject only to no superior proposal for Generation emerging and provided that an independent expert determines the offer is fair and reasonable, representing consideration of \$398,655(A\$392,300) for the units not currently owned by the REIT, which has been unanimously recommended by GHC's responsible entity. Following the announcement, the REIT has purchased 13,248,322 GHC units representing 6.0% increase in the REIT's ownership interest in GHC, bringing the REIT's interest in GHC to 28.7% as at May 11, 2017. The takeover offer is scheduled to close on June 8, 2017, unless it is extended as permitted by the Australian Corporations Act
- (ix) On May 2, 2017, the REIT entered into a Non-Revolving Secured Credit Facility to borrow \$51,202 with a term of 1 year bearing interest bank's prime rate plus 1.00% or Bankers' Acceptances plus 2.00%. The Non-Revolving Secured Credit Facility is secured by three Canadian investment properties, with a carrying value of \$58,985 and the terms of a general security agreement. Proceeds from the borrowing were partially used to repay \$47,456 of existing first and second mortgages, including additional \$513 of debt drawn subsequent to March 31, 2017, bearing a weighted average interest rate of 4.43%, against the three secured investment properties.